

Statement of Deputy Assistant Secretary Harold H. Saunders  
Department of State  
February 26, 1975

The Committee has asked me to discuss the State Department's policy on the Arab boycott and actions taken by the Department in connection with the boycott. To help the Committee make the most economical use of its time, I want to note that the division of labor in the Executive Branch gives the Department of Commerce responsibility for dealing with American companies on a day-to-day basis on questions involving the application of the boycott to particular transactions. An analysis of the impact and scope of the boycott on these companies, therefore, will come most usefully from Department of Commerce data.

Having said that, let me turn to the policy which the U.S. has adopted toward the Arab boycott of Israel.

In keeping with our overall policy against restrictive discriminatory trade practices, it has been the policy of the Departments of State and Commerce for years to oppose that boycott and the associated secondary boycott of foreign firms which have certain close business relations with Israel. That opposition has been made clear repeatedly. That position is embodied in the legislation which Congress passed in 1969 (text attached).

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This remains the Administration's policy today. This is one of the issues that flows from the unresolved Arab-Israeli dispute and which we have very much in mind as we continue diplomatic efforts to help achieve a just and durable peace in the Middle East.

The main problem which we face, of course, is that Arab governments regard the boycott as an important part of their position in the continuing conflict with Israel. They see this issue as too closely associated with the basic elements of the Arab-Israeli conflict to be dealt with except as progress is made toward resolution of that conflict.

The question, therefore, is not whether we oppose the boycott but how to try most effectively to change the situation which gave rise to the boycott. It has been our view--and I believe this is the view that underlies existing legislation--that this issue is best dealt with through quiet diplomacy and persuasion. We have felt that it will be more effective to attempt a resolution of the underlying problems while, without following a policy of confrontation, making clear our opposition to the boycott.

With regard to the companies involved, we have on a number of occasions exchanged views and information with companies that are potentially affected. We recognize the role that American companies can play in the exchange of

technology and commerce with Middle Eastern countries, and we want to do everything we can to permit all Americans to share in mutually beneficial efforts to further economic progress in the Middle East.

The question of discrimination in connection with the boycott is one that must be addressed in the light of recent press reports on this subject. While we are not at this moment aware of any American cases in which religious discrimination has been practiced, there can be no question that we would find such practices unacceptable.

The Secretary of State addressed the question of discrimination during his press conference yesterday: " ... With respect to the U.S. policy of investment in Arab countries, the United States basically favors it. The United States is strongly opposed to any discriminatory practices by the recipient countries as to the firms that might do business. And we are looking into the legal remedies that may exist, together with whatever moral influence we can bring to bear on the banking and other communities to abolish discrimination, which we consider reprehensible."

In this connection, the Department has asked the Civil Rights and Antitrust Divisions of the Justice Department, the Securities and Exchange Commission, the Federal Reserve

board, and the Treasury Department for their opinions as to the circumstances under which acts in support of the boycott might violate U.S. laws or regulations. This issue will, therefore, be under active study in the coming weeks.

EXPORT REGULATION

PUB. L. 91-184, DEC. 30, 1969, 83 STAT. 841

Sec. 2402. Congressional declaration of policy.

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(5) It is the policy of the United States  
(A) to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States, and (B) to encourage and request domestic concerns engaged in the export of articles, materials, supplies, or information, to refuse to take any action, including the furnishing of information or the signing of agreements, which has the effect of furthering or supporting the restrictive trade practices or boycotts fostered or imposed by any foreign country against another country friendly to the United States. (Pub. L. 91-184, Sec. 3, Dec. 30, 1969, 83 Stat. 841.)